

## HOUSE SUBCOMMITTEE ON HOUSING & COMMUNITY OPPORTUNITY

Solving the Affordable Housing Crisis in the Gulf Region Post Katrina:  
Why No Progress and What are the Obstacles to Success?

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**TESTIMONY OF SHERECE Y. WEST**  
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To Chair and Congresswoman Waters, distinguished Members and guests of the House Subcommittee on Housing and Community Opportunity, Mayor C. Ray Nagin, colleagues and distinguished guests, thank you for coming to Louisiana and for your continued support of the families and communities damaged or destroyed by Hurricane Katrina.

I am Dr. Sherece Y. West, CEO of the Louisiana Disaster Recovery Foundation. I want to thank you for the opportunity to serve as a witness at this hearing and offer testimony on behalf of the Louisiana Disaster Recovery Foundation, *Louisiana's Fund for Louisiana's People*. The grantees and constituents that I serve have identified three core issues essential to recovery: housing, jobs, and schools. I am honored to relay their collective wisdom and views about affordable housing.

And I am particularly happy to be here at Dillard University. The university serves as a historic anchor to the City of New Orleans and remains vital in leading the City's equitable recovery.

The Louisiana Disaster Recovery Foundation - *Louisiana's Fund for Louisiana's People* – is an independent public philanthropy. It was established by Governor Kathleen Babineaux Blanco in the aftermath of hurricanes Katrina and Rita. Our mission is to transform the disaster caused by hurricanes Katrina and Rita into an unprecedented opportunity for a rededicated New Orleans and new Louisiana- providing resources for the relief, recovery, and betterment of its people by ensuring access and opportunity in building their communities and culture. We have \$43 million in assets. Our support comes from the generosity of individuals, corporations, foundations; including the Bush Clinton Katrina Fund, and others from across the United States and around the world. To date we have awarded \$14.7 million in grants to 52 nonprofit organizations providing services and supports to displaced individuals and families, and working to redevelop hurricane damaged communities, throughout the State of Louisiana.

The disaster took its toll on our citizens of the State. About 1,500 people lost their lives and thousands upon thousands were seriously injured. Over 1.3 million Louisianans' lives were seriously disrupted. More than 205,000 homes were destroyed displacing 123,000 homeowner households and 82,000 renter households. Over 82,000 households remain living in trailers with minimal amenities.

As you have heard from Mayor C. Ray Nagin, New Orleans sustained 57% of all damage to the State. In the City, 134,344 units sustained reportable damage, and 105,155 were severely damaged. Residential damage in Orleans Parish was \$ 14 billion and more than 200,000 New Orleanians remain displaced.

Before disaster hit Louisiana, there was a severe affordable housing crisis triggered by growing poverty. Today, we have an affordable housing shortage epidemic. We have this epidemic while there are clear signs of economic progress. We just celebrated a Mardi Gras that offered twenty additional hotels since last year. Our airport is now accommodating 100,000 more arriving passengers each month with almost 100,000 for Mardi Gras alone. Unemployment has dropped below 5% with a growing tourism industry.

Yet, while market forces drive the local economy, the housing market is moving at a snail's pace. The Army Corps of Engineers tore down only 80 homes in January – significantly less than the projected monthly average of 387 demolitions. Home rebuilding continues to trickle with only 664 Road Home closings out of 108,163 qualified applicants. And the number of residential properties for sale continues to grow – now at 13,385 - with little movement in real estate.

The Foundation firmly believes that a rededicated New Orleans and new Louisiana can flourish over the next 20 years. But our vision has to be larger than the disaster that placed us in harms way.

Our vision is that all people have the tools and opportunity to understand, organize, advocate for, and be involved in the decisions that affect their lives and communities. We have a deep commitment to promote *Equity* and *Inclusion*.

The devastation has created a sea change in housing policy in Louisiana. Over the last year we have supported housing advocates, faith-based and racial justice leaders, and community organizers to nurture social action. We fund and promote strategies that result in effective public policy and advocacy, community organizing and strengthening the nonprofit sector. This brings people back to “communities of opportunity” – vibrant neighborhoods with decent housing, good schools, local retail and banking, green space and transit accessibility. Affordable housing is the lynch pin for these communities to develop.

The Foundation is committed to “equity” in housing. We want to ensure that all current residents have the “right to return.” They are entitled to safe, decent and quality affordable housing. And, public housing residents, Section 8 voucher holders and homeowners in recovery are included in this right of return.

The Foundation is committed to “inclusion” – (1) to ensure all voices are heard in the use of land and property and (2) to ensure diverse and rich mixed-income communities for

current and future residents. We want “responsible redevelopment” in New Orleans and throughout the State. We want its people to directly benefit from the rebuilding of this City and our State. It is a matter of both equity and inclusion.

My comments will concentrate on the following posed questions:

- Why is there little to no progress in restoring affordable housing?
- What are the obstacles to the success of restoring affordable housing?
- How can the affordable housing dilemma be resolved?
- What is the role of LDRF in addressing the affordable housing crisis?

### **Why is there little to no progress in restoring affordable housing?**

Langley Keyes, an urban planning professor at MIT, wrote a book about 20 years ago entitled **Strategies & Saints**. **Strategies & Saints** follows a simple proposition. It states that when the federal government fails to provide a central housing strategy; then cities and their neighborhoods are left to their own devices and must depend on “saints” or local front line leaders.

It is a widely held view that the federal government has failed to address the growing affordable housing crisis. Moreover, it also remained ill-prepared to address housing relief (should there be a natural disaster). With the defining event of Katrina, the federal government response was in itself a disaster. There was a delayed response to the needed resources for relief. There was serious under funding of what was actually needed for recovery. And there is insufficient oversight in the rebuilding process. There remains no comprehensive federal strategy and its role remains unclear as regulatory agent.

Equally, the voters of this City and the State had entrusted their elected and appointed officials to promote their general welfare and well-being. Our elected officials have become entangled within federal bureaucracy and unable to reach an accord with the federal government on a State and locally-driven strategic plan. Where the federal government has failed to act as regulator, State and municipal government has failed to act as the accountability agent --- making sure that the federal government serves its citizens of Louisiana.

There is enough blame to go around. The Foundation does not want to point fingers or cast any aspersion. Rather, it is interested in moving forward to work with all levels of government to find remedies and recourse for restoring affordable housing. And it is committed to building a litany of “saints” or local front line leaders and organizations. The Foundation has utilized some of its resources to fund 52 “saint” organizations to promote and restore affordable housing and support recovery. Among them:

- ACORN Housing Corporation to rehabilitate/restore homes in the Ninth Ward in New Orleans
- America Speaks for reaching out to African Americans within the Louisiana Diaspora to participate in the New Orleans neighborhood planning process
- Louisiana Association of Nonprofit Organizations for organizational triage, assessment, planning, and technical assistance to help rebuild the nonprofit sector in New Orleans and creating state-wide collaborations like the Louisiana Housing Alliance

The Foundation is embarking on a strategic Housing Recovery & Development Initiative and an Equity & Inclusion Campaign which I will share with you briefly later during the conclusion of my remarks.

### **What are the obstacles to the success of restoring affordable housing?**

There are several underlying obstacles as follows.

One obstacle is federal government fragmentation. It took almost a year after Katrina for the federal government to establish an Office of the Federal Coordinator for Gulf Coast Rebuilding. Even today, all federal agencies are not working in sync. During the House Financial Services Committee hearing in Washington, D.C. on February 6<sup>th</sup>, 2007, it was quite apparent that HUD and FEMA were not aligned with one another as they were questioned by members of the Committee. Another agency, SBA is being strongly criticized by another House Committee for not formulating a clear strategy for New Orleans business recovery in coordination with other federal sister agencies.

Another obstacle is State government's laxity. To date, the State has not defined a number of goals and measures with ICF International, the company selected to administer \$ 7.5 billion in federal funds. One example is the absence of clear targets and benchmarks in moving eligible applicants through the Road Home Program. ICF is still in negotiations with the State Office of Community Development to establish these targets and benchmarks. The ICF contract is being amended for the fourth time. Recently, the State has moved more expediently on conducting an audit of the Road Home Program. And as Mayor Nagin mentioned, the problematic waiting list and backlog has accounted for only 664 closings from a pool of 108,163 eligible grant homeowners.

And yet another obstacle is inertia in City government. City government was not equipped to address such a disaster of such monumental proportions. The Mayor has shifted traditional municipal government into a recovery mode that concentrates on public safety, repopulation, and infrastructure repair. Last month the Mayor hired Dr. Edward Blakely to direct the Office of Recovery Management and last week a recovery team has been put in place. In part, the City has been stymied by the federal government with the inflexibility of the Stafford Act and the absence of blanket waiver authority from HUD. Additionally, many insurance companies have stopped writing policies or are charging ridiculously higher rates than before.

### **How can the affordable housing dilemma be resolved?**

As I mentioned, there was an affordable housing crisis in New Orleans and Louisiana before Katrina and Rita. In the aftermath of these storms, there is now an affordable housing shortage epidemic. There are no silver bullets or quick fix remedies. It will simply take a concerted effort to solve this dilemma. And realistically, it will take twenty years or more toward the full road to recovery.

This effort must be led by those who govern. They must exert leadership and the political will to succeed. There are several promising developments which the Foundation supports.

Congressional intervention is needed to address federal agency fragmentation.

- Support for Representative Waters' proposed memorandum of understanding with HUD to guarantee the right of return and one-to-one housing replacement
- Support for Representative Jefferson's proposed rehabilitation and re-occupancy of public housing developments (not in major disrepair) and Section 8 voucher portability
- Support for Representative Frank's proposed National Affordable Housing Trust Fund
- Support of Representative Clyburn's amendment of the Stafford Act

Governor & State legislature has an opportunity to promote innovative housing policy and funding.

- Enactment of a State Housing Trust Fund with sizeable funding (from the State surplus)
- Enactment of a low-income tax credit amendment dedicated to mixed-income communities and directing the Louisiana Housing Finance Agency (to act accordingly)
- Enactment of additional "piggyback funds" for affordable housing amendment and directing the Louisiana Recovery Authority (to act accordingly)
- Enactment of a provision for "soft second loans" for any household below 80 percent of median income

Municipal government has an opportunity to advance creative land assemblage and resettlement of homeowners and renters.

- Support for One New Orleans Road Home Fast Track program as described by the Mayor "fast track" homeownership initiative
- Support for expansion of the City's programs for the disposition of property: gutting, remediation and adjudicated property
- Support for the Unified Plan to engage citizens in re-planning; especially with flexible land use policies promoting inclusionary zoning and land trust authority

These opportunities will need flexible federal funding streams from HUD and we support the City's efforts.

**What is the role of LDRF in addressing the affordable housing crisis?**

The role of the Louisiana Disaster Recovery Foundation and its philanthropic partners is to promote affordable housing. We are embarking on a Housing Recovery & Development Initiative and an Equity & Inclusion Campaign.

The Housing Recovery & Development Initiative is a place-based strategy to adopt a number of neighborhoods in New Orleans and invest \$7 to 11 million toward leveraging additional resources and the commitment of developers, housing intermediaries, community development corporations and local residents. We are working in cooperation with the Fannie Mae Foundation in forming a collaboration with groups like the Local Initiative Support Corporation and AFL-CIO Housing Investment Fund. We want adopted neighborhoods to be part of a "responsible redevelopment" model fostering diverse, mixed-income communities composed of renovated public housing, rebuilt homes and newly constructed housing.

Second, with my testimony today, the Foundation is embarking on an Equity & Inclusion Campaign building a coalition of elected and appointed officials, policy makers, community activists, celebrities and faith-based leaders to promote affordable housing and community development. Some of our activities will include:

In Baton Rouge --- On March 22-23, we will sponsor a Statewide Legislative Affordable Housing Convening of our grantees and the Louisiana Housing Alliance. On March 30, we will serve as co-sponsor and host for a Right of Return Forum convened by the Congressional Black Caucus and Congressional Black Caucus Foundation.

In Washington, D.C. --- In June, we will convene a forum on the Policies of Equity & Inclusion hosted by the Brookings Institution. In September, we will conduct an Equity & Inclusion Issues Forum as part of the Congressional Black Caucus Legislative Conference.

And in the spirit of non-partisanship, we have met with the White House to promote our Louisiana faith-based leaders (who remain champions of recovery). Also, we have begun to explore how we as a Foundation, and our grantees and constituents can become better prepared for hurricane season.

As part of my testimony and for the record, I submit to you a set of policy papers prepared in partnership with Rutgers University's Initiative for Regional and Community Transformation. We lead with policy and follow with social action.

I am proud to represent the Louisiana Disaster Recovery Foundation - *Louisiana's Fund for Louisiana's People*. Thank you for providing me with the opportunity to testify before you today! We are available to you as an additional resource.